

CORNER COUNTIES EARLY CHILDHOOD AREA

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

CORNER COUNTIES EARLY CHILDHOOD AREA
TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Governmental Funds Financial Statements:	
Balance Sheet	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Notes to Financial Statements	8
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12
Schedule of Findings and Responses	14

CORNER COUNTIES EARLY CHILDHOOD AREA
Officials
June 30, 2020

<u>Board Members</u>	<u>County Represented</u>	<u>Term Expires</u>
Staci Shearer, Chair	Fremont	June, 2021
Dennis Reilly, Vice-Chair	Fremont	June, 2021
Kathleen Keefer	Page	June, 2022
Cheryl Farrell	Page	June, 2021
Dan Weiss	Page	June, 2021
Cathy Shull	Page	June, 2020
Randy Hickey	Fremont	June, 2022
<u>Executive Director</u>	<u>Address</u>	
Michelle Wodtke Franks	Oakland, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board Members of
Corner Counties Early Childhood Area
Clarinda, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Corner Counties Early Childhood Area as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board Members of
Corner Counties Early Childhood Area

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Corner Counties Early Childhood Area, as of June 30, 2020, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Organization has omitted the Management's Discussion and Analysis (MD&A), that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2021 on our consideration of Corner Counties Early Childhood Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Corner Counties Early Childhood Area's internal control over financial reporting and compliance.

 + W. P.C.

Atlantic, Iowa
January 6, 2021

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Net Position
June 30, 2020

ASSETS

Current Assets:	
Cash	\$ 63,116
Total assets	<u>\$ 63,116</u>

LIABILITIES AND NET POSITION

Liabilities:	
Accounts payable	\$ 19,816
Net Position:	
Restricted for grant purposes	<u>43,300</u>
Total liabilities and net position	<u>\$ 63,116</u>

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Activities
Year ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Functions/Programs:			
Governmental activities:			
Early childhood	\$ 47,347	\$ 37,815	\$(9,532)
Quality improvement	44,953	43,481	(1,472)
Other program services	156,826	176,334	19,508
Administration	<u>9,020</u>	<u>8,773</u>	<u>(247)</u>
	258,146	266,403	8,257
Other revenues:			
Restricted interest	<u>--</u>	<u>230</u>	<u>230</u>
Totals and change in net position	<u>\$ 258,146</u>	<u>\$ 266,633</u>	8,487
Net position beginning of year			<u>34,813</u>
Net position end of year			<u>\$ 43,300</u>

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Balance Sheet
Governmental Funds
June 30, 2020

	<u>Special Revenue</u>		
	<u>Early Childhood</u>	<u>School Ready</u>	<u>Total</u>
Assets:			
Cash	\$ 15,404	\$ 47,712	\$ 63,116
Total assets	<u>\$ 15,404</u>	<u>\$ 47,712</u>	<u>\$ 63,116</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 6,205	\$ 13,611	\$ 19,816
Fund balances:			
Restricted for grant purposes	<u>9,199</u>	<u>34,101</u>	<u>43,300</u>
Total liabilities and fund balances	<u>\$ 15,404</u>	<u>\$ 47,712</u>	<u>\$ 63,116</u>

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2020

	Special Revenue		
	Early Childhood	School Ready	Total
Revenues:			
State of Iowa Grants:			
Early childhood	\$ 37,815	\$ --	\$ 37,815
Quality improvement	--	43,481	43,481
Other program services	--	176,334	176,334
Allocation for administration	1,990	6,783	8,773
Total State of Iowa Grants	39,805	226,598	266,403
Interest	34	196	230
Total Revenues	39,839	226,794	266,633
Expenditures:			
Program Services:			
Early childhood	47,347	--	47,347
Quality improvement	--	44,953	44,953
Other program services	--	156,826	156,826
Total program services	47,347	201,779	249,126
Administration	2,121	6,899	9,020
Total Expenditures	49,468	208,678	258,146
Change in Fund Balances	(9,629)	18,116	8,487
Fund Balances, Beginning of Year	18,828	15,985	34,813
Fund Balances, End of Year	\$ 9,199	\$ 34,101	\$ 43,300

The accompanying notes are an integral part of these statements.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2020

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Significant Accounting Policies

The Corner Counties Early Childhood Area (Organization) is an unincorporated association established under Chapter 256I.8(1a) of the Code of Iowa. The goal of the Organization is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Organization is funded by allocations of federal and state block grants.

The Organization is governed by an autonomous Board composed of no fewer than seven and no more than thirteen members. The Board members shall be elected officials of, or individuals who work or reside in, Fremont and Page counties. Board members are elected by a majority vote of the existing Board and serve for three year terms. The Board shall include representation from early care, education, health, human services, business and faith interest, and at least one parent, grandparent or guardian of a child from zero to age five.

The Organization designated Golden Hills RC&D as its fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Organization's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of Corner Counties Early Childhood Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants for Fremont and Page counties, which are reported in separate special revenue funds.

2. Reporting Entity

For financial reporting purposes, the Corner Counties Early Childhood Area has included all funds, organizations, agencies, boards, commissions, and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Organization. The Organization has no component units which meet the Governmental Accounting Standards board criteria.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2020

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

3. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the Organization.

The Statement of Net Position presents the Organization's assets and liabilities, with the difference reported as net position. Net position is reported in the following category:

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Organization reports the following major governmental funds:

Special Revenue:

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2020

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Organization considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the Organization.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

5. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CORNER COUNTIES EARLY CHILDHOOD AREA
Notes to Financial Statements
June 30, 2020

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

6. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

7. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND DEPOSITS

The Organization's deposits in bank at June 30, 2020 were entirely covered by federal depository insurance.

NOTE C - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE D - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2021, the date which the statements were available to be issued.

* * *

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board Members of
Corner Counties Early Childhood Area
Clarinda, Iowa

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Corner Counties Early Childhood Area, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corner Counties Early Childhood Area's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corner Counties Early Childhood Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

To the Board Members of
Corner Counties Early Childhood Area

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corner Counties Early Childhood Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Response to Finding

Corner Counties Early Childhood Area's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Corner Counties Early Childhood Area's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deanne W. Bell, CPA - C.O. P.C.

Atlantic, Iowa
January 6, 2021

CORNER COUNTIES EARLY CHILDHOOD AREA
Schedule of Findings and Responses
Year Ended June 30, 2020

PART I - INTERNAL CONTROL DEFICIENCIES

20-I-A Segregation of Duties:

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from personnel error or dishonesty and maximizes the accuracy of the Organization's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The Organization has a limited number of contracted personnel which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the Organization's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by personnel in the normal course of performing their assigned functions.

Recommendation: We recognize that it may not be economically feasible for the Organization to contract for additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Organization to contract for additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

PART II - REQUIRED STATUTORY REPORTING

20-II-A Questionable Expenses: We noted no expenses that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-II-B Travel Expense: No expenditures for travel expenses of spouses of Organization officials or contracted personnel were noted.

* * *